

Press Release

Haryana Vidyut Prasaran Nigam Limited

September 01, 2020

Rating Reaffirmed and Withdrawn



Total Facilities Rated*	Rs. 1430.00 Cr.
Bank Facilities Rated*	Rs. 930.00 Cr.
Long Term Rating	ACUITE A+ (CE**)/ Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (CE**) (Reaffirmed)
Total Instruments Rated*	Rs. 500.00 Cr.
Long Term Rating	ACUITE A+ (CE**) (Withdrawn)

* Refer Annexure for details

** Credit Enhancement in the form of Unconditional & Irrevocable Guarantee and Letter of Comfort from the Government of Haryana (GoH)

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A+ (CE)**' (read as **ACUITE A plus (Credit Enhancement)**) on the Rs. 880.00 crore bank facilities and the short term rating of '**ACUITE A1 (CE)**' (read as **ACUITE A one (Credit Enhancement)**) on the Rs. 50.00 crore bank facilities of Haryana Vidyut Prasaran Nigam Limited (HVPNL). The outlook is '**Stable**'.

Acuite has withdrawn the long term rating of '**ACUITE A+ (CE)**' (read as **ACUITE A plus (Credit Enhancement)**) on the Rs. 500.00 crore non-convertible debentures of Haryana Vidyut Prasaran Nigam Limited (HVPNL). This withdrawal is pursuant to the client's request and submission of requisite documents in this regard as per Acuite's policy. The rated instrument has been redeemed in full as per the communication from the debenture trustee dated August 25, 2020.

About HVPNL

Haryana Vidyut Prasaran Nigam Limited (HVPNL) was incorporated in 1997, by the Government of Haryana. The power transmission and distribution businesses were transferred by erstwhile Haryana State Electricity Board to HVPNL in 1998. In 1999, the distribution business of HVPNL was transferred to Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) in the North Zone & Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) in the South Zone.

HVPNL is primarily engaged in developing and maintaining adequate transmission infrastructure for power transmission in the State of Haryana. Government of Haryana holds 99.9 percent in HVPNL. Besides its core function as a state transmission utility, HVPNL holds part ownership in generation assets in Bhakra Beas Management Board (BBMB) power project.

Standalone (Unsupported) Rating: ACUITE BB+/ Stable

Analytical Approach

Acuite has adopted the standalone approach while assessing the business and financial risk profile of HVPNL and has notched up the rating on the back of benefits emanating from the ownership by Government of Haryana (GoH). GoH holds ~99.9 per cent equity ownership in HVPNL besides regular managerial and financial support to HVPNL; the government has supported its bank borrowings by way of Letter of Comfort/ Letter of Guarantee.

Key Rating Drivers

Strengths

- **Continued support from Government of Haryana**

Haryana Vidyut Prasaran Nigam Limited (HVPNL), a wholly-owned undertaking of Government of Haryana (GoH), is a State Transmission Utility (STU) under the Electricity Act, 2003. It is a strategically important entity and forms the backbone of the power sector infrastructure for the state. The company is the sole bulk power transmission company in Haryana. The current managerial board comprises Mr. Trilok Chand Gupta, IAS (Chairman), Mr. Mohammed Shayin, IAS (Managing Director) along with other professionals and bureaucrats representing Government of Haryana.

The company holds a business license issued by HERC for Transmission & Bulk supply of Power in Haryana and primarily provides transmission service to the State Utilities such as Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Railways amongst others, hence proving its strategic importance towards the state of Haryana. HVPNL also has generation assets in the power plants of Bhakra Beas Management Board (BBMB) as a partner.

Since the support from GoH is central to the rating, the credit profile of Haryana state is of key importance. Any significant changes in the credit profile of GoH will be key rating sensitivity. Haryana state's fiscal deficit stood at 2.8 per cent of the GSDP for 2019-20 (RE). The outstanding debt of Haryana state as a percentage of GSDP remained at 27.4 per cent for 2019-20 (RE). Any adverse movement in fiscal metrics of GoH is likely to have a bearing on the Haryana government's support to the entities like HVPNL, for whom it is obligated to extend support either on account of an explicit support arrangement or an implicit understanding with the lenders.

Acuite believes that HVPNL will continue to benefit from continuous financial and managerial support received from GoH. Further, the state ownership by GoH has strengthened HVPNL's ability to raise funds from banks and financial institutions at competitive pricing.

Weaknesses

- **Susceptibility of operating performance to the regulatory framework and credit profile of counterparties; Support from GoH will be critical**

HVPNL's revenues are influenced by the regulatory framework governing the power sector. Revenues of transmission players like HVPNL are determined by state electricity regulatory commissions. The Haryana Electricity Regulatory Commission (HERC) considers key parameters like the cost structure and expected return on capital employed to arrive at transmission tariffs, wheeling and SLDC (State Load Dispatch Centre) charges. With the revised tariff order HVPNL reported an operating income of Rs. 1662.5 crore as on March 31, 2020 declining from Rs. 2176.7 crore as on March 31, 2019. Presently the company benefits from healthy return on capital employed (ROCE) of 7.5 percent as on March 31, 2020.

Major customers of HVPNL include power distribution companies (Discoms) in Haryana such as UHBVNL and DHBVNL. Since the credit profiles of these discoms are subdued, the timely realisation of receivables continues to be a key credit monitorable. Certain recent policy initiatives like Ujwal Discom Assurance Yojna (UDAY) scheme have supported the discoms by reducing their debt burden. However, the long term credit profiles of these discoms will be dependent on their ability to improve their key operating parameters by various measures like reduction of Transmission & Distribution (T&D) losses.

HVPNL being a State Transmission Utility (STU) is required to undertake substantial capital expenditure in order to maintain, upgrade and expand the power infrastructure in the state of Haryana. HVPNL's Gross block (including Capital Work in Progress) increased by ~Rs. 668.2 crore in FY 2019-20. A significant portion of this capital expenditure is funded by equity infusion/grants from GoH; government guaranteed debt instruments and borrowings from public financial institutions. HVPNL has significant debt borrowing and capex requirements, so the on-going support from GoH will be critical to the rating. However, Acuite believes looking at the strategic nature of operations the support from GoH is expected to continue over the medium term. Any delays in equity infusion/grants will require HVPNL to take on additional debt to support the capital expenditure program. HVPNL is geared at 1.1 times as on March 31, 2020 as compared

to 1.2 times as on March 31, 2019. The gearing improved on account of equity infusion by GoH of Rs. 552.6 crore during FY 2020 resulting in total equity of Rs. 3811.8 crore as on March 31, 2020 as compared to Rs. 3259.3 crore as on March 31, 2019. Total borrowings reduced to Rs. 5007.5 crore as on March 31, 2020 against Rs 5106.8 crore as on March 31, 2019. The continuous support from the Government of Haryana by way of equity infusion has supported HVPNL's capital expenditure initiatives resulting in healthy availability factor of 99.96 percent for the month of March, 2020. In terms of debt servicing capability, HVPNL reported a moderate Debt Service Coverage Ratio (DSCR) of 1.2 times in FY 2020 vis-à-vis 1.3 times in FY 2019.

Acuité believes that HVPNL's credit profile will be largely influenced by the expectation of on-going support from GoH.

Rating Sensitivities

- Credit profile of GoH
- Changes in the regulatory environment

Material Covenants

HVPNL is subject to covenants stipulated by its lenders/investors in respect of obtaining Guarantee or Letter of Comfort from Government of Haryana and various parameters like transmission availability among others.

Assessment for Adequacy of Credit Enhancement

HVPNL being a state transmission utility is strategically important for the power infrastructure of the state of Haryana and is a wholly-owned undertaking of GoH. Acuité believes that the credit enhancement will stand adequate in all scenarios and in the event of any requirement, the GoH will provide the necessary support.

Liquidity position: Adequate

HVPNL's accrual for FY20 was ~Rs. 633.8 crore against which it has repayment obligations of Rs. 659.8 crore. Though there is a mismatch between accruals and repayments, the company has unencumbered cash and bank balances of Rs. 83.8 crore and unutilised bank lines. The company has a working capital line of Rs. 830.00 crore, which is marginally utilised for six months ended June 2020. Liquidity of HVPNL has been supported by way of equity infusion at regular intervals by GoH.

Acuité believes that the company's liquidity profile is expected to be supported by ownership of GoH and ability tap lines from banks supported by the quasi-sovereign nature of the company.

Outlook: Stable

Acuité believes that HVPNL will benefit from its natural monopoly in the bulk power transmission business in Haryana and strong support from the Government of Haryana. The outlook may be revised to 'Positive' in case of healthy growth in scale and profitability of the HVPNL along with improvement in credit profile of GoH. The outlook may be revised to 'Negative' in case of a sharp deterioration in operating performance and the likelihood of reduced support or a sharp deterioration in GoH's credit profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	1662.50	2,176.69
PAT	Rs. Cr.	220.58	358.62
PAT Margin	(%)	13.27	16.48
Total Debt/Tangible Net Worth	Times	1.06	1.18
PBDIT/Interest	Times	2.29	2.85

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- State Government Support: <https://www.acuite.in/view-rating-criteria-26.htm>
- Application of Financial Ratios and Adjustments: - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements - <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-Sep-19	Cash Credit	Long term	80.00	ACUITE A+ (CE)/Stable (Reaffirmed)
	Cash Credit	Long term	100.00	ACUITE A+ (CE)/Stable (Reaffirmed)
	Cash Credit	Long term	200.00	ACUITE A+ (CE)/Stable (Reaffirmed)
	Cash Credit	Long term	100.00	ACUITE A+ (CE) (Withdrawn)
	Cash Credit	Long term	200.00	ACUITE A+ (CE)/Stable (Reaffirmed)
	Cash Credit	Long term	200.00	ACUITE A+ (CE)/Stable (Reaffirmed)
	Proposed Facility	Long Term	100.00	ACUITE A+ (CE)/Stable (Assigned)
	Letter of credit	Short Term	50.00	ACUITE A1 (CE) (Reaffirmed)
	Non-Convertible Debentures	Long Term	410.90	ACUITE A+ (CE)/Stable (Reaffirmed)
	Proposed Non-Convertible Debentures	Long Term	89.10	ACUITE A+ (CE)/Stable (Reaffirmed)
24-Oct-18	Cash Credit	Long term	80.00	ACUITE A+/Stable (Assigned)
	Cash Credit	Long term	100.00	ACUITE A+/Stable (Assigned)
	Cash Credit	Long term	200.00	ACUITE A+/Stable (Assigned)
	Cash Credit	Long term	100.00	ACUITE A+/Stable (Assigned)
	Cash Credit	Long term	200.00	ACUITE A+/Stable (Assigned)
	Cash Credit	Long term	200.00	ACUITE A+/Stable (Assigned)
	Letter of credit	Short Term	50.00	ACUITE A1 (Assigned)
	Non-Convertible Debentures	Long term	410.90	ACUITE A+(SO)/Stable (Reaffirmed)
	Proposed Non-Convertible	Long term	89.10	ACUITE A+(SO)/Stable

	Debentures			(Reaffirmed)
12-Oct-18	Non-Convertible Debentures	Long term	410.90	ACUITE A+(SO)/Stable (Reaffirmed)
	Proposed Non-Convertible Debentures	Long term	89.10	ACUITE A+(SO)/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
-	Cash Credit	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE A+ (CE)/Stable (Reaffirmed)
-	Cash Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A+ (CE)/Stable (Reaffirmed)
-	Cash Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A+ (CE)/Stable (Reaffirmed)
-	Cash Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A+ (CE)/Stable (Reaffirmed)
-	Cash Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A+ (CE)/Stable (Reaffirmed)
-	Proposed Facility	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A+ (CE)/Stable (Reaffirmed)
-	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A1 (CE) (Reaffirmed)
INE535N08015	Non-Convertible Debentures	29-May-2012	9.79%	29-May-2024	410.90	ACUITE A+ (CE) (Withdrawn)
-	Proposed Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	89.10	ACUITE A+ (CE) (Withdrawn)

Contacts

Analytical	Rating Desk
Vinayak Nayak Vice President - Rating Operations Tel: 022-49294071 vinayak.nayak@acuite.in Shreyans Mehta Analyst - Rating Operations Tel: 022-49294062 shreyans.mehta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022 - 49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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